



A NATIONAL TOWN MEETING & SYMPOSIUM ON DEMAND RESPONSE

Berkeley California - June 26 and 27, 2006

U.S. Demand Response Coordinating Committee & Demand Response Research Center

PRICING AND RATES

SYMPOSIUM ON DEMAND RESPONSE JUNE 26, 2006



PRICING AND RATES

Moderator

Ahmad Faruqui, CRA International

Panelists

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| Chuck Goldman | Staff Scientist, Lawrence Berkeley National Laboratory |
| Dr. Bernie Neenan | VP Pricing and Demand Response, Utilipoint |
| Richard Voytas | Manager, Corporate Analysis, Ameren Services |
| Ed Morrison | Assistant Project Manager, Residential Energy Affordability Program NYSERDA |



PRICING AND RATES

What's wrong with electricity pricing ? Plenty !

- ☐ Can non-time-varying default pricing of electricity be justified?
- ☐ Bonbright and others have argued that electricity prices should reflect the cost of electricity.
- ☐ Just about every one agrees that electricity prices vary by time of day
 - Yet default electric rates for the majority of consumers do not show this time-variation.



PRICING AND RATES

A Controversy in Electricity Pricing ?

- ❑ Is it *fair* to have default electricity rates that do not vary by time of day?
 - Customers with relatively flat load shapes subsidize customers with relatively peaky load shapes, such as those with central air conditioning
- ❑ Is it *efficient*?
 - Peaky load shapes require the installation of expensive peaking capacity and may also add to greenhouse gas emissions



PRICING AND RATES

A Controversy in Electricity Pricing ?

- ☐ Is this outcome, which is both unfair and inefficient, caused by lack of information on the part of consumers, utilities and regulators?
- ☐ Or is caused by the weight that is given in the ratemaking process to those who would lose from time-varying rates?
- ☐ Can the problem be resolved by offering inverted-block rates?



PRICING AND RATES

Do customers respond to time-varying rates ?

- ❑ Does it matter how customers respond? Shouldn't the rate just be concerned with reflecting the right price?
- ❑ Is the response limited to large C&I customers?
- ❑ Does response need to be enabled by providing technologies to customers?
- ❑ Can customers who respond be expected to continue responding during heat waves?
- ❑ Can this response be counted upon from a resource adequacy perspective?



PRICING AND RATES

Are time-varying rates cost effective?

- ☐ Why do rates have to be cost effective? Isn't the objective to allocate costs?
- ☐ Will large numbers of customers accept time-varying rates?
- ☐ Will their load response be sufficient to offset the cost of advanced metering and billing systems?
- ☐ Will every customer need to respond for time-varying rates to be cost-effective?